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BIMETALLISM

.......AND.......

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INTERVIEW

.....WITH.....

THE MOST REV. DR. WALSH

Archbishop of Dublin.

Coin's Financial Series. Issued Quarterly. Price, $1.00 per year.
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FOR SALE BY ALL NEWSDEALERS

The interview herein published, with Archbishop Walsh, has attracted the attention of two continents, and the demand for it has become so great, this, the 2nd American edition has been published.

INTERVIEW.

1892.

From the *Freeman's Journal* and *National Press*, Dublin.

Question by Reporter:

"The connection, your Grace, between Bimetallism and the Irish Land Question does not seem very close?"

Answer by Archbishop Walsh:

"Yet nothing could be closer. The adoption of Bimetallism, or of some equivalent remedy, if there be an equivalent remedy, is, I am convinced, a matter of imperative necessity; that is, if the agricultural tenants of Ireland—and I do not at all limit this to Ireland—are to be saved from otherwise inevitable ruin.

"This is transparently obvious to everyone who has mastered even the elementary facts and principles of the case. But it is disheartening to find that, notwithstanding all this, no interest seems to be taken in this grave question by many of the leaders of Irish opinion.

"If things go on as they are, even the excellent Land Purchase scheme which is associated with the name of Lord Ashbourne may become, before many years are over, a source of widespread disaster to the tenants who have purchased under it."

Reporter:

"The subject of Bimetallism is at all events an exceedingly obscure one?"

Answer:

"Not at all. There is, no doubt, even amongst eminent financial authorities, a difference of opinion whether the Bimetallist view as to the direction in which a remedy for the existing state of depression should be sought for, is the true view of the case or not. But Bimetallism is in no sense an obscure subject. There is no difficulty whatever in understanding it—no difficulty in understanding either what it is in itself, or how it bears upon the Irish Land Question."

The Archbishop then, in compliance with a request that he would indicate at least the general outlines of the subject, remarked that it was a subject impossible to deal with in any way that could be called brief.

"Bimetallism," he said, "embraces, no doubt, some points that may be omitted in a merely summary exposition of it—especially in a statement of those aspects of it that have special reference to the Irish Land Question. But in any case a good deal must remain to be said.

"As for the Irish farmers, it is to be remembered that the way they come into consideration in the matter is this:—Our farmers, many of them, are placed under an obligation to pay, annually, a fixed amount of money—'fixed,' that is to say, in the sense that the amount they have to pay, year after year, for a prolonged term of years, is specified in pounds, shillings and pence.

"There are three classes of our Irish farmers lying under such an obligation. In the first place, some have, as ordinary leaseholders, to pay, for longer or shorter periods, a sum so fixed. Others have to pay a fixed sum for 15 years, as 'judicial' tenants under the arrangements of the Land Act of 1881. Others, —as tenant-purchasers under one or other of the Irish Land Purchase Acts,—have to pay, for 49 years, a fixed sum to the Government.

"Now, in the present condition of our currency laws, any obligation of paying a fixed amount of money for a prolonged term of years may bring with it financial ruin to the unfortunate tenant who has undertaken that obligation, or upon whom it has been imposed by law.

"Indeed I may say that, under the operation of the present Monometallic system of currency, any such obligation must, in the course of time, bring with it, if not financial ruin, at all events most serious financial embarrassment. The reason is obvious. The conditions of the case are such that, notwithstanding the so-called 'fixing' of the amount to be paid each year, the payment of the amount thus 'fixed' in pounds, shillings, and pence, *really represents a burden growing heavier and heavier from year to year.*

"This is how the 'tenants' case stands, in the view, at all events, of the Bimetallists—to say nothing, for the present, about the extent to which, upon this particular point, the views of the Bimetallists are shared by some leading upholders of Monometallism. As for the Bimetallists, it is important to remember, especially upon a point such as this, that one of the leading champions of Bimetallism, is Mr. Balfour, our late Chief Secretary for Ireland.

"With Mr. Balfour, then, as with all Bimetallists, it is a cardinal principle that, as a direct result of the present monetary system of England and of other leading commercial European countries, everyone who is under an obligation to make a yearly or other periodic payment of a 'fixed' amount,—as, for instance, a 'judicial' tenant under the Land Act of 1881, or an Irish tenant-purchaser under the Ashbourne Act of 1885 or any subsequent enactment,—is thereby *placed under a burden which necessarily grows heavier from year to year.*

"All this the Bimetallists make good in proof. But, quite apart from the proofs which they bring forward, can anyone deny that even the mere authority of so many men of eminence in financial science as are to be found in the ranks of the Bimetallists ought to count for a good deal? It surely should suffice, at the very least, to show that any one—any tenant, for instance—will have only himself to blame for whatever disaster may befall him, if he disregards the clear and impressive warning given him by Mr. Balfour and other Bimetallists of the gulf that is yawning before him, and takes upon himself an obligation to pay yearly, for 49 years, or even for 15 years, a 'fixed' amount of money,—that is to say, an amount specified in pounds, shillings, and pence,—without making full allowance in his calculations for the risk he runs of finding himself, as years go on, overloaded, and, in the end crushed, by the weight of an ever-increasing burden.

"The Bimetallists may be right or they may be wrong. But at all events, if they are right, then it is undisputably plain that the Irish tenants who have the misfortune to have their rents fixed for terms of 15 years, under the Land Act of 1881,—and, much more so, the Irish tenant-purchasers, who have the misfortune to find themselves saddled with the obligation of making annual payments fixed for 49 years, —are simply slipping down an inclined plane, with bankruptcy awaiting them at the bottom of it.

"It is only quite recently that I came to know something of the gravity of the present state of affairs. Now that I have become aware of it, I feel bound, as a matter of public duty, to do what I can to bring it to the knowledge of those whom it most concerns.

"In connection with all this, I would again call attention to the fact that, in such a case, Mr. Balfour's authority must be recognized as of exceptional weight. Surely the tenants, and those who advocate or represent the tenants' views, ought to insist that this point, which is brought out so forcibly by Mr. Balfour and others, shall be taken into account as an important element in the fixing of fair rents for terms of years, and—as a matter of still higher importance—in the fixing of terms of purchase involving the obligation of fixed annual payments for still longer periods. The point, as I have already stated it, is, that *every one who is placed under an obligation to make yearly payments of a fixed amount of money, is thereby placed under a burden which is growing heavier from year to year.*

"If this point be insisted upon, as assuredly it ought to be, by the tenants and by their representatives and advocates, how can the landlords, or those who advocate and represent the views of the landlords, take it upon themselves to say that the Bimetallists are not to be listened to in the case? Their ideal statesman, Mr.

Balfour, they must be reminded, is a pronounced and thorough-going Bimetallist. From this point of view, the emphatic and unqualified declaration of our late Chief Secretary is of momentous importance.

"Then, if anything more is wished for than the mere authority of the Bimetallists—more even than the authority of Mr. Balfour himself—let me point out how their conclusion is reached.

"I happen to have here a Statement which I wrote, for another purpose, some time ago, and which I can give to you. It is a statement of a few elementary facts and principles of political economy facts and principles that must underlie every explanation of the currecny uuqestion. The points set out in it are purely elementary matters. They require, I think, no explanation, as they certainly require no proof.

"They are these:—

"1. Money forms our common medium of exchange. At first, commerce, such as it was, had to be carried on by a system of pure barter—the system in which, for instance, so many sheep were given in exchange for so many cows, so much corn for so much wool, and so on. Then, as civilization progressed, this system of pure barter was displaced by the employment of a common medium of exchange, available in all cases of selling and buying. Great diversity existed among various tribes and peoples in the choice of the particular medium employed. In some places, skins were used; in some, leather; in some, corn; in some, cattle. Then came a higher stage of development, when metals, such as iron, tin, lead, and copper, were employed. But now, with practical universality, all

other materials for standard money have given place to gold and silver.

"2. 'Money, as regards its primary function, is simply a commodity, selected first by custom, and (often but not always) confirmed by law, as an intermediary in transactions—a something for which, in a civilized community, any other thing can be sold, and with which any other thing can be bought. In other words, a particular commodity is selected to perform the function of a common measure of value; but it is, and remains, a commodity. Gold remains gold, silver remains silver, while they perform this function of money; and they remain subject to exactly the same laws of exchange as before. A new use is imposed upon the substance; that is all; the substance itself is unchanged.

"3. By the 'value' of money, we are to understand its 'exchange value,' or, in other words, its purchasing power—that is to say, the power which the possession of money gives to those who possess it to go into an open market, and obtain, in exchange for their money, the things that are on sale there.

"4. The metals, gold and silver, like all other marketable commodities, are liable to fluctuations in value; their value being controlled, like that of all other commodities, by the law of supply and demand. This means that if gold and silver are to be had in abundance, a smaller quantity of other commodities—as, for instance, less corn, less hay, less butter—will have to be given in exchange for a definite quantity of gold and silver. On the other hand, if gold and silver are not so easily to be had, then, a larger quantity of other commodities,—more corn, for instance, more hay, more butter—will have to be parted with,

to obtain in exchange for them the same quantity of those metals.

"5. 'It is now universally admitted in works of Political Economy that any such thing as a commodity with absolute stability of value is unattainable.'

"6. 'The most important characteristic of a good monetary standard is, that it should preserve comparative stability of value. The principal reason why, of the multitude of commodities that have been used for the material of money at different times, gold and silver have survived as the fittest, is because their great durability renders the total stock extremely large compared with the annual supply, and thus eliminates one element of instability of value.'

"7. Another special advantage of gold and silver for monetary purposes is that both the weight and the purity of coins made from them may easily be ascertained. 'At first, after gold and silver were generally adopted, the risk of being defrauded by inferior quality or adulteration was left entierly to the receivers of the metals; in fact, gold and silver circulated between the inhabitants of the country simply as merchandise. . . Very early, however, it began to be recognized that there would be great convenience if pieces of the metal were certified by authority to be of certain weights and fineness; and, accordingly, coinage has always been one of the first industrial functions that governments have undertaken.

"8. Coinage is only a process of branding or stamping, and nothing else. The process of minting certifies two things: first, that the coin is of a certain weight of gold or silver, as the case may be; and, secondly that the gold or silver of which the coin is composed is of a certain specified degree of purity.

But minting—the minting, for instance, of gold into a sovereign—adds nothing to the value of the piece of metal that is coined.

"9. It is not, however, to be supposed that the commodity, gold, or the commodity, silver, does not derive a special value from the fact of its being constituted a standard monetary metal. 'Law singles out gold or silver, or both, to be used as money, and gives them special functions which it confers on no other commodity. *In virtue of this selection, the demand for these metals is greatly increased*, and, as they are only of limited production, *their value is increased accordingly.*'

"10. A sovereign is a minted coin consisting of a certain specified weight of gold, of a certain specified fineness. The weight of a sovereign when issued from the Mint is the $\frac{160}{623}$rd part of an ounce, or 123.27447 grains, of standard gold.

"11. A fluctuation in the value of gold involves a fluctuation in the value of the sovereign.

"This, of course, does not mean that the sovereign can ever become worth more or less than twenty shillings. That would be a contradiction in terms. For 'a shilling' means merely the twentieth part of the value of a sovereign.

"When we say, then, that the value of a sovereign may fluctuate, what we mean is that, as a medium of exchange, the sovereign will sometimes have a greater sometimes a lesser, 'exchange value' or purchasing power.

"The reason of the liability to fluctuation in the purchasing power of the sovereign is plain. When gold rises in value, a larger quantity of any other commodity,—say, of corn, of hay, of butter, or of

cloth,—will have to be given in exchange for any given quantity of gold, such, for example, as the quantity contained in a sovereign. On the other hand, when gold falls in value, a smaller quantity of any other commodity,—say, of corn, of hay, of butter, or of cloth,—will suffice to obtain in exchange for it any given quantity of gold, such as that contained in a sovereign.

"12. It is an obvious inference, that our gold coinage, however useful as a medium of exchange, does not furnish us with a standard of value, fixed and unalterable. It does not furnish us, for example, with such a standard as the yard is of length, or as the pound Troy is of weight.

"13. The popular notion, then, of the sovereign, or pound sterling, constituting a fixed standard of value, is merely a popular delusion.

"The sole foundation for that delusion manifestly is, that, in these countries, the values of all commodities are commonly stated in terms of the pound sterling, in other words, in pounds, shillings and pence,—'a shilling' meaning the twentieth part of a pound, and 'a penny,' the twelfth part of that again. The natural result of this method of expressing the values of commodities other than gold, is, that, to the superficial observer, the impression conveyed by a rise or fall in prices is that it is the value of all other things that changes, the value of the sovereign remaining fixed.

"14. In Great Britain,—and the same is true of Ireland, and of many other countries—gold being the one standard metal, all prices are stated in terms of the sovereign, or parts of the sovereign. So that for instance, if, at any time, a certain quantity of corn sells for £100 5*s*. 10*d*., this means that this quantity of

corn represents, in exchange-value, 100 sovereigns, with the fourth part (5*s*.) of the value of a sovereign, and the sixth part (10*d*.) of that again.

"But in countries, such as India, where silver is the one standard metal, all prices are stated in reference to the rupee,—a standard silver coin which may be compared, roughly, with our two-shilling piece.

"Prices stated in terms of a standard gold coin, as they are stated in England and Ireland in terms of the sovereign, are spoken of as 'gold' prices. Prices stated in terms of a standard silver coin, as they are stated in India in terms of the rupee, are spoken of as 'silver' prices.

"15. The price of things estimated in gold,—their 'gold price'—may change, whilst their price estimated in silver—their 'silver price'—remains unaltered.

"This will occur if the value or purchasing power of gold goes up or down, while the value or purchasing power of silver remains unaltered.

Suppose, for instance, that gold is in any way scarce in relation to the demand upon it. Then in any country where gold is the standard metal of the currency, those who wish to obtain a certain quantity of gold, whether in coin or in bullion, will have to give a larger quantity of other commodities in exchange for it, or—to put the matter in another light—those who have only a definite quantity of commodities to part with will receive less gold in return for them. In other words, there is a fall in 'gold prices.'

"Suppose, on the contrary, that gold is abundant in relation to the demand upon it. Then those who wish to obtain a certain quantity of gold, whether in coin or in bullion, will not have to give so large a quantity of other commodities to obtain the quantity

of gold they require, or—to put the matter, as before, in another light—those who have a definite quantity of other commodities to dispose of will obtain more gold in return for them. In other words, there is a rise in 'gold prices.'

"If, in either case, there is no change in the value of silver, then the prices of commodities, stated in silver—their 'silver prices,' as the technical phrase is —will remain unchanged.

"Similarly, of course, the 'silver price' of things may change, while their 'gold price' remains unaltered."

Reporter:

"Is this common ground, so far?"

Answer:

"Yes. But now we reach the point at which Monometallists and Bimetallists begin to differ. Take it in this way. A country may arrange its system of standard money upon either of two bases: it may take only one of the precious metals as its standard of value--"

Reporter:

"This is Monometallism?"

Answer:

"Yes; no matter whether the metal selected is gold or silver.

"India, for instance, is a 'silver' monometallic country: the standard there is a rupee—a silver coin, which, as I have already said, may be compared, roughly, with our florin or two-shilling piece.

"England, on the other hand, is a 'gold' monometallic country, the standard coin being the sovereign. As to the silver coins of the English currency, every one knows that, though they are current in a limited

quantity, they are not 'legal tender' in payment of debts for any amount beyond 40*s*. The silver coins, then, of the English mint are merely what are termed 'token coins,'—the value of the silver in twenty of our shilling-pieces being altogether short of the value of the gold in a sovereign."

Reporter:

"Then as to Bimetallism?"

Answer:

"Bimetallism, as some writers express it, is the monetary system in which the two precious metals, gold and silver, are taken as standards of currency.

That, however, is a misleading way of putting the case. The word Bimetallism indeed is an unfortunate one to have been chosen. It gives prominence to the idea of duality, and so leads many half-informed people to think that Bimetallism, as distinct from Monometallism, aims at having two standards of value, instead of one.

"Now this is not at all the case. In the Bimetallist system there are not two standards of value; there is but one. One of the essential requirements of a standard, whether of value, or of length, or of weight, or of anything else, is that it should be one. The word Bimetallism, then, as I have said, is, in one respect, an unfortunate one to have been chosen. It gives rise to an unhappy notion that the Bimetallists favor some sort of shifting or alternative system of standards. But this is not so. The very opposite is the fact. Unity of standard and stability of standard—in so far as stability in this matter of a standard of value is within the reach of attainment—these are the very fundamental points of Bimetallism."

Reporter:

"Is not this so also in Monometallism?"

Answer:

"No. A little further on we shall deal with the important point of stability in the standard of value. But take first this matter of unity of standard. Does Monometallism secure unity? Nothing of the kind. What have we, as the result of the present predominance of Monometallism in so many countries? Simply division and confusion.

"In one set of countries, such as England and Ireland, gold is the standard metal. In another set of countries, such as India, the standard is silver. When a 'silver' country, such as India, comes to trade with a 'gold' country, such as England, see what happens. Gold and silver are two independent commodities. In the markets of the world, then, each, from the operation of the law of supply and demand, is subject to its own independent fluctuations in value. There is nothing to keep the relative values of the two at a fixed ratio to one another. So, the 'gold price' of silver, or, in other words, the 'silver price' of gold, is constantly changing.

"Take the last 19 or 20 years, for instance. The 'gold price' of silver per ounce has ranged from 5*s.* 0*d.* down to 3*s.* 3*d.* This necessarily has affected the relative value of gold and silver coins. The Indian rupee, then, which formerly counted as a two-shilling piece—10 rupees being, roughly, the equivalent in value of a sovereign—came tumbling down in value until, as measured by the sovereign, it was worth 1*s.* 3*d.* or 1*s.* 4*d.*

"In other words, a person in India, who, for any purpose, had to make a remittacne of £50 to England, would some years ago have found 500 rupees sufficient, but of late years he might have had to send 800."

Reporter:

"This is from a fall in the value of silver?"

Answer:

"It could happen as the result either of a fall in the value of silver, or of a rise in the value of gold.

"So far as the facts I have as yet stated are concerned, the change in the relative values of the sovereign and the rupee may have come either from one cause or from the other. We shall afterward deal with the cause of the change. I am now merely calling attention to the fact that, as things are, we have, under the denomination of so-called Monometallism, not one common standard of value, but two distinct standards—gold, in England, for instance, and silver in India—each metal being liable to fluctuation in value, and the fluctuations in one being wholly independent of the fluctuations in the other. Plainly there is nothing in the nature of things to hinder gold from fluctuating in value whilst the value of silver remains unchanged; nothing to hinder silver from fluctuating in value whilst the value of gold remains unchanged; and, in fine, nothing to hinder both gold and silver from fluctuating in value at the same time, and fluctuating very notably, and in opposite directions.

"This is what we are exposed to in the present Monometallic system. It in no sense results in unity. It results in duality and divergence, pure and simple.

"Now, on the contrary, the aim of the Bimetallists, instead of being—as is sometimes incorrectly supposed—to set up a duality of standards, is to bring about a common standard of value, as far as possible everywhere, in 'gold' countries and 'silver' countries alike. What Bimetallists contend for, in the first place, is that the unity which is one of the first requisites in a monetary standard has not been attained in our present Monometallic system. Furthermore they contend that it can be brought about only by the adoption of

the system they advocate, which is, to make the standard of value—if possible everywhere, but, at all events, over the largest possible area amongst the commercial nations of the world—consist, not of one or of the other of the two precious metals, gold or silver, but of a combination of the two, linked together."

Reporter:

"But how can two metals be linked together, so as to form, combined, one standard of value?"

Answer:

"That is easily shown. Here, for instance, is how they were combined in the system which was in operation in France down to 1873—"

Reporter:

"Down to 1873? Then Bimetallism is not a mere untried theory?"

Answer:

"So far from being untried, Bimetallism was at one time in operation in several European countries, and this continued for many years. But there is a special reason for taking the system as it was in operation in France from 1803 to 1873. Bimetallism was established there in 1803 by Napoleon. At that time, the English currency system also was Bimetallic. Bimetallism had been established in England in 1717, on the recommendation of Sir Isaac Newton, then Master of the English Mint. It was not abandoned by England until 1816. But, speaking of France, here is how Bimetallism worked in that country down to 1873. From 1803 to 1873, the French Mint was open for the unrestricted coinage, whether of gold or of silver, either metal being accepted for coinage in the ratio of 15½ to 1,—for instance, 15½ ounces of silver or 1 ounce of gold was coined into an equal sum of money.

"In 1865, the same arrangement was adopted by the other countries of the group known as the Latin Union—Belgium, Switzerland, Italy, and Greece.

"Down to 1873, then, anyone, in any part of the world, who had either gold or silver bullion to dispose of, could have taken it to the Mint of any of those countries and there made it into coin.

"Here are the three points of the Bimetallic system as it was carried out in those countries. First, any given quantity of gold bullion was always exchangeable at the Mints for its weight in gold coins; and any given quantity of silver bullion was likewise exchangeable for its weight in silver coins. Secondly, the coins given out in return for any weight of standard gold bullion, were of 15½ times the value of those given out in return for the same weight of silver bullion. Thirdly, all those coins, whether of silver or of gold, were 'legal tender,' within the country, for the discharge of all debts, to any amount.

"It can hardly be necessary to point out that when the two metals are thus taken into the standard currency, the fixing of a ratio of value between them,—that is, between the mint value of a given weight of one and the mint value of the same weight of the other,—is a matter of absolute necessity.

"Except at a fixed ratio of value between them, the two metals could not be kept in circulation in a country as money. That is admitted on all hands. If no check were kept upon the tendencies to divergence between the respective values of gold and silver—the value of each being left to be determined merely by the chances of supply and demand in the markets of the world—commerce would be rendered practically impossible. For it would be open to debtors to dis-

charge their obligations in one or in the other according as one or the other was, for the time, proportionately less in value. That would be utterly subversive of the certainty which is an essential basis of all commercial transactions."

Reporter:

"Whilst the French and other Mints were open for the unlimited coinage of gold and silver, the English Mint was not open in the same way for the coinage of silver to the same extent?"

Answer:

"No; nor for many years before 1873. England had abandoned Bimetallism in 1816, when Lord Liverpool made what every Bimetallist must consider the deplorable mistake of substituting a gold Monometallic system for the Bimetallic system which had been maintained in England ever since its adoption, on the recommendation, of Sir Isaac Newton, a hundred years before.

"Since then, silver has been coined in England in limited quantities only. It is not a 'legal tender' for sums over 40*s*."

Reporter:

"What, then, are the practical disadvantages of Monometallism?"

Answer:

"The first and most obvious objection against a Monometallic system of currency is that it leaves the standard of value open in the most unguarded way to the operation of every influence that tends to deprive it of stability. In a Monometallic system, the standard coin, whether it be of gold or of silver, is necessarily exposed to fluctuations in value which may be very considerable and may easily lead to most serious, and even disastrous, results.

"We have already seen that the value of a standard gold or silver coin is simply the value of the metal of which it is composed Now the value of each of the precious metals, as of any other commodity, is open to wide fluctuations. The value of either of them, like the value of any other commodity, is determined merely by the run of the market, the relation between supply and demand.

"Now, Monometallism, as even the most extreme Monometallists must admit, does nothing to exclude this liability to fluctuation, or even to diminish it. Take, for instance, the English gold Monometallist currency. Gold, and consequently the sovereign,—that is to say, the weight of gold contained in a sovereign,—is liable to fluctuation in value, just as corn is, or cotton, or cloth. Even the most extreme Monometalist will allow that Monometallism does nothing even to check that liability to fluctuation.

"Then there is a second point, the fuller explanation of which may be reserved for a little further on.

"Monometallism, as we have it in Great Britain and Ireland, in Germany, and in so many other countries, tends to raise the value of gold, thereby favoring the interests of all capitalists, the interests of all those who have command of gold—money-lenders and the like,—favoring all such persons at the expense of the general community, and favoring also the interests of all creditors, the interests of all who have a claim to receive a fixed money payment from others, favoring these at the expense of their unfortunate debtors."

Reporter:

"But, in England, for instance, where Bimetallism was abandoned in the early part of this century, no

harm seems to have come of the change—at all events until recently? No one seems to have complained?"

Answer:

"No, and for a very excellent reason. For, although the change from Bimetallism to Monometallism was made in England so far back as 1816, England did not then feel the effects of the change,—nor indeed were they felt anywhere,—for many years afterward.

"They were not, in fact, felt until 1873, when, consequent upon the abandonment by Germany, and other countries, of their former silver standard of currency, and their adoption of a gold standard, France,—and, with France, the other countries of the Latin Union,—followed the example which England had set 47 years before, and closed their Mints to the free coinage of silver, thus destroying the link between the two metals and breaking down the very foundations of the Bimetallic system.

"Until 1873, then, the existence of Bimetallism over the large area in which it was still maintained, practically saved the whole commercial world from feeling the effects of Monometallism. So long as the Mints of so many countries were kept open on Bimetallist principles, everything went on almost as before.

Reporter:

"But how could the maintenance of the system in France and those other countries have affected the relative values of silver and gold elsewhere? How could it have affected their relative values, for instance, in England?"

Answer:

"In this way. Those who had, for example, silver bullion to dispose of—say, in England—would not part with 18 or 20 ounces of it for an ounce of gold, when by sending it to a public mint, in France, for instance, they could get as valuable an equivalent for 15½ ounces.

"Of course there was some little expense in the transmission from London to Paris. This and other incidents of the case, varied slightly from time to time. Hence the maintenance of the Bimetallic system in France and other countries did not, and could not, keep the values of gold and silver at an absolutely fixed ratio throughout the commercial world. But the fluctuations in their relative value were so slight that the ratio of their values was practically fixed at 15½ to 1.

"During all those years, the oscillations in the relative value of the two metals from the French legal ratio of 15½ to 1 were so slight that, as a rule, they did not pass 15¾ to 1, on one side, or 15¼ to 1, on the other.

"Thus the fluctuations of value in the monetary standard, not only in the countries of the Latin Union, but elsewhere throughout the whole commercial world, were reduced to a minimum. But in 1873 came the disastrous change. The safety-valve that had been kept open by the action of the French and other mints was then screwed down. So the results of Monometallism at once began to make themselves seriously felt all around, and nowhere more seriously than in Ireland."

Reporter:

"What difference could it make, except, perhaps, in the way of international trade between gold-using and silver-using countries?

Answer:

"Even if it affected nothing else, the results might be disastrous. See how it has affected the state of trade between England on the one hand, and India and the other silver using countries of the East, on the other.

Take, for example, the great cotton manufacturing industry of Lancashire. Looking into this matter in detail a few days ago, I came across the following figures. From February to August, 1890, the rupee—which, as measured by the sovereign, used to count practically as a two-shilling coin, but had then fallen to 1*s.* 5*d.*, went up again in value to 1*s.* 9*d.* Then, from August, 1890, to February, 1891, it fell from 1*s.* 9*d.* again to 1*s.* 5*d.* In March last, the exchange value of the rupee dropped so low as 1*s.* 2⅞*d.*; and this was a fall of 2½ per cent. within three days!

"As the case, then, was put by one of the speakers at the recent meeting in Manchester, at which Mr. Balfour spoke, the rupture of the link which, until 1873, had kept the proportionate values of gold and silver unchanged, has resulted in such violent and continuous oscillations in the rate of exchange between England and the East—that is to say, between the standard gold coin of England and the standard silver coin of India, the sovereign and the rupee—as to reduce the cotton export trade of Manchester 'almost to a game of chance, . . a gamble in silver, rather than an investment in cottons.'

"And Sir David Barbour, in his Financial statement for India, for 1891-92, says the same thing, almost in the same words:—

"'Trade between England and India was reduced to mere gambling, the fluctuations in exchange being so great as to more than counterbalance the effect of the other elements which the trader has to take into consideration.

"It has even been said, with some truth, that at one time *it would have been better for the merchant to dismiss his establishment, and confine himself to speculations in silver;* his expenses would have been less, and his chances of profit quite as good as in his legitimate business.'

"But this is not all. The merchant in India who has to pay in rupees cannot afford to go on, year after year, paying more and more rupees for the same quantity of goods.

"For, we must remember, the present state of things is the result of a rise in the value of gold rather than of a fall in the value of silver. Prices, measured by a silver standard of value—as they are measured in India and the other countries of the East—have remained, we may say, unchanged. In India the rupee has undergone practically no loss of purchasing power.

"Whilst the Indian merchant, then—if he continues to buy his goods in England—has to pay 14 or 15 rupees, instead of 10, for every pound's worth, he cannot raise the price to his retail consumers in India. So that, unless the manufacturer in England can reduce his prices, and reduce them so as to cover by the reduction the notable fall that has occurred in the value of the silver rupee as measured by the sovereign—which, of course, he cannot do without a heavy sacrifice of profits, perhaps even without a ruinous loss—the Eastern merchant must give up buying in the English market.

"Now this is what is actually going on from day to day. Trade with the East is rapidly leaving England. Take, for instance, these facts, stated in the speech of Mr. J. A. Beith at the Manchester meeting, from which I have already quoted:—

"'Not only has our Eastern trade been retarded, but

the practical refusal to take payments in the money of the East except at an enormous discount, has diverted the channels of trade; and silver-using countries, such as China, have felt themselves compelled to go past Manchester, and to trade with silver-taking countries.

"'Now the figures on this question are absolutely appalling.

"'For ten years before this change came (in 1873), Indian mills were in existence, and were working vigorously, and making progress in India; but during the whole of that ten years they were practically able to export nothing. . . .

"'In 1874, the total exports of yarn from the Indian mills to China and Japan amounted to only 1,000,000 lbs. It was only in 1875, and when silver had fallen 3*d.* per ounce, that the 1,000,000 lbs. of exports which it had taken Indian mills nearly ten years to get up to, at once expanded, as if in obedience to the wave of an enchanter's wand, into 5,000,000 lbs.

"'In 1880 there was a further fall of 5*d.* per ounce, and, consequently, a further advantage to the silver of India and China, as compared with England accepting only gold payments, and so then, the five millions of exports from India became twenty-five millions.

"'In 1885, another fall took place, and the twenty-five millions became seventy-five millions. In 1889, there was a further fall of 5*d.* in silver, and the seventy-five millions became 127 millions. In 1891 there was still a further fall, and the 127 millions of exports of yarn from India to China became 165 millions; so that, in seventeen years, through the operation of this cause chiefly, one million lbs. of yarn exports per annum had risen to 165 million lbs. per annum . . .

"'This means that India is now sending six times as much as the United Kingdom sends to China and Japan, and twice as much as the United Kingdom sends to India, China and Japan together.'"

Reporter:

"Then England's loss seems to be India's gain?"

Answer:

"Unfortunately the loss is not even compensated for in that way. I do not mean merely that the change in the current of trade brings profit to a small section of English and native capitalists who have invested in Indian mills, rather than to the general population of the country. That indeed is true, but, as regards Indian interests, there is a far more serious aspect of the case.

"There is, in fact, no country in the world, not even Ireland, in which the rupture of the link between gold and silver has proved more disastrous in its results than it has proved in India.

For, it must always be borne in mind that *India has contracted heavy debts, the interest on which has to be paid in gold.* Whatever profits, then, an increased activity of trade may have brought to India, these are more than absorbed in providing for the loss which India has to bear on the remittances of cash, —that is to say, from India's having to pay more and more rupees for the gold she has to send to England and elsewhere, in payment of interest.

"In the Report of the Gold and Silver Commission of 1888, the extent of the additional demand thus made upon the Indian Government, that is, in other words, upon the taxpayers of India, is made very plain by the statement that the extra charge resulting from *a fall of even 1d. in the exchange*—from the Rupee be-

ing worth 1*s.* 5*d.* instead of 1*s.* 6*d.*—amounts to the enormous sum of 11,000,000 *of Rupees for the year.*"

Reporter:

"That Commission, then, investigated the question of Bimetallism?"

Answer:

"It was, I may say, appointed for that purpose. The Commission was composed of twelve members. They drew up a singularly interesting Report setting forth all the accepted facts of the case, and setting forth also, very fully, the arguments and counter-arguments of Monometallists and Bimetallists on the various facts adduced. That is the first part of the Report. It represents the unanimous view of the Commission. It was signed by the twelve members.

"Then come two supplementary Reports, one signed by the Monometallists members of the Commission, the other by the Bimetallists. But the first portion of the Report, signed unanimously by all twelve might be quoted in support of almost everything I have stated to you, so far.

"As to the point we are here dealing with, I take the following from that section of the Report which was drawn up by the six Monometallist members of the Commission:—

"'There cannot be two opinions as to the very serious effect which the continued fall in the gold price of silver has had on the finances of the Government of India. Unless expenditure be diminished, every additional fall in the value of the rupee renders additional taxation necessary if a deficit has to be avoided . . .

"'We are fully impressed with a sense of the difficulties which surround the Indian Government, and of

the serious questions to which any proposed additional tax must give rise.

"'It is not only the embarrassment which has already been caused to the Government of India that has to be borne in mind, but the impossibility of foreseeing to what extent those embarrassments may be increased, and their difficulty augmented by further depression.'

"All this was written in October, 1888. Then see how things have been going since then. On the 31st of last March, the following telegram, from its Calcutta correspondent, appeared in *The Times:*—

"'The continued and unprecedented fall in exchange is causing universal consternation, and threatens to paralyze all trade.

"'Much indignation is expressed at the apparent apathy of the Home Government.'

"A few days afterward. *The Times* had the following in a leading article:—

"'The unprecedented fall in the rupee is causing great concern to all connected with India. On Friday, our correspondent telegraphed that the feeling in Calcutta was of 'universal consternation.' 'The evil threatens,' he says, 'to paralyze all trades, and much indignation is expressed at the apparent apathy of the Home Government'.

"'That the position is very serious, and in some respects disastrous is beyond dispute. . . .

"'The Government of India finds itself saddled with a currency that is the sport of circumstances over which it has no control.

"'The effect has been to increase the burden of its public debt, in sterling, by 50 per cent during the past 28 years, quite apart from new borrowings; to reduce large numbers of its servants to pecuniary distress; and to affect grain prices in a way which seems, to some observers, to intensify every local failure of

the crops, and *to threaten the poorer classes in India with a chronic artificial scarcity of food.*"

"All this makes it very plain what a serious error it would be to suppose that the loss in which the fluctuation in the relative value of the rupee and sovereign has resulted in Lancashire has been made up for by a gain to India.

"Then too, in India, there has been another serious drawback resulting from the present currency arrangements. As a result of the existing state of confusion, it has become impossible for India to obtain the loans that are absolutely necessary for the development of the resources of the country.

"Here is a clear statement on this point:—

" The total mileage of railways in India is only 16,996 miles, many of the lines being only for strategic purposes and practically useless for trade; and the constant cry, for years past, of British merchants, and of those best acquainted with India's requirements, has been for great railway extensions. But the Indian Government, whilst under successive Viceroys recognizing these needs, has had to proceed with the work on the smallest possible scale.

"'The explanation is very simple. It is because the Indian Government has to borrow the cost of construction in gold, and the interest on the debt has to be paid in gold, whilst, on the other hand, the revenue of India is raised in silver.

"'A fall in exchange, therefore, means that *a larger amount of silver has to be raised to pay the interest on the gold debt.*

"'To take an extreme case. Suppose a loan of £10 000,000 for an Indian railway had been raised

when the rupee was at 2*s*. That would represent 100 millions of rupees; and at 4 per cent interest the Indian Government would have to pay the bondholders 4 millions of rupees per annum.

"'With the rupee at about its present value, however—say 1*s*. 4*d*. the Govrenment would have to raise and pay six millions of rupees per annum as interest, *an extra burden of 50 per cent* on the material prosperity of India.'

Last March, *The Times* had a rather interesting article on this aspect of the case:

"'Powerful interests in England,' it said, 'demand a more rapid development of railway communication in India . . . On the other hand, the Government wisely hesitates to impose on the Indian Exchequer the responsibility for gold loans or obligations, which it will have to discharge in a silver currency of vanishing value . . .

"'The truth is that railway development,. . . like the development of every other branch of Indian enterprise, *is now awaiting some settlement as to the future of the rupee.* The currency difficulty *underlies the whole situation.*'

"In the work from which I quoted a few moments ago there is a very pertinent remark about this railway difficulty:

"'At the present rate of exchange (between the rupee and the sovereign, as compared with the old rate of 2*s*., or ten rupees to a sovereign), the loss to the Indian Governemnt in remitting (to England) interest on loans, &c., is estimated at about 80,000,000 of rupees per annum. Now those eighty millions of rupees, if they could be saved, would construct, under ordinary conditions, about 1,500 miles of rail-

ways per annum, without adding one penny to India's present burden in either capital or interest . . .

"'Every mile of railway constructed there facilitates India's exports, and correspondingly makes a new or a better market for English goods, and, by facilitating food transports, enables us more effectively to provide against the horrors of ever-recurring famines.

"A similar difficulty it seems exists in China. It is now not so much 'Celestial' prejudice as exchange difficulties, that stop the making of railways in that country. Not long since the Chinese Government endeavored to raise a loan for railway purposes. But they would only raise it in silver, and have it payable both as to capital and interest in silver. European financiers, under the present monetary arrangements of the commercial world, would not entertain the transaction.

"India, of course, is loudly clamoring for the removal of the difficulty in the only way in which it can really be removed, that is, by a revival of the former Bimetallic currenc-- arrangements which were departed from in 1873.

"'But then, account has to be taken of the dogged resistance that indubitably will be offered to any such measure of reform, by the capitalists, the money-owners and the money-lenders of the world. It is their interest to prop up the present system of currency. That system, no doubt, in countless ways, grinds the faces of the poor. But what matter? It is all to the profit of the owners and holders of gold. So the owners and holders of gold will hold on by it to the death.

"It is little wonder, then, that in view of the tremendous opposition sure to be offered by all such

persons, the re-establishment of Bimetallism should have come to be looked upon as an almost Utopian idea.

Reporter:

"But then, what other remedy for the undeniable and unquestionable evil of the present state of affairs is to be looked for?

Answer:

"Apart from the re-establishment of Bimetallism, the only other practical policy that has been proposed —and it has been proposed only as a remedy for the special evils arising out of the difficulty about exchange between gold-using and silver-using countries, such as England and India—is the adoption of a gold standard for India.

"From a belief very generally entertained, that the British Government is too far committed to Monometallism to leave any immediate likelihood of its immediately retracing its steps, the adoption of a gold standard for India has been suggested.

"But the adoption of a gold standard for India is a policy which even *The Times*—strongly Monometallist as its present financial tendency is—shrinks from advocating. 'It is an alternative,' says *The Times*, 'fraught with financial difficulties, and with derangements to the existing basis of Indian commerce and manufactures, which any Government may well shrink from encountering.'"

Reporter:

"But would it not seem a useful thing to bring about a unity of monetary standard at all events between India and England, and possibly between all 'gold-using' and all 'silver-using' countries?"

Answer:

"Yes; but how can it be done except through the

restoration of Bimetallism? As for the adoption of a gold standard for India, the result would be disaster all around. This reference to the prospect of the adoption by India of a gold Monometallist currency, brings us to the consideration of another grave result of our present Monometallist system,—one of the very gravest results of it,—a result far more widely extended, and far more calamitous in its influence, than any of those which we have, so far, been considering.

"It is to be borne in mind, then, that money has to serve, not merely as a medium of exchange in the purchase of commodities, but also as a measure and record of the extent of obligations in the case of all deferred payments, or of payments extending over long periods—as, for instance, the yearly payments of rent or of the interest on a mortgage.

"Now it can hardly need to be pointed out that, so long as contracts into which time enters as an element are expressed in terms of money, it is of the utmost importance that the monetary standard should, as far as possible, be stable in value. Absolute stability of value is, as we have seen, unattainable. But, in its absence, comparative stability is to be looked for, as one of the first requisites in a monetary standard.

"As Mr. Barclay puts it, 'the value of money might vary without much inconvenience if all transactions were immediate exchanges in which money simply prevented a resort to barter. But, as we know, the whole structure of trade is based on credit and time contracts; and, in view of this, the medium of exchange, which is also a standard of value, *cannot vary without inflicting serious injury either upon debtor or creditor.*' Stability of value, then, in so far as it is attainable, is an all-important element of money.

'Now it is in this point especially that our present Monometallist system of currency is open to most serious objection.

"Gold, as the result of a variety of causes, is steadily and seriously increasing in value. And not merely does Monometallism provide no check upon this increase, but the increase itself is, in great part, the result of the changes that have been made in so many countries, in the direction of Monometallism, within the last twenty years.

"The chief source of the notable rise that has taken place in the value of gold is the heavy additional demand which, from various causes, has fallen upon gold during these later years. One of those disturbing causes, for instance, was the closing of the French and other European Mints in 1873 against the unrestricted coinage of silver. Another was the adoption, about the same time, of a gold standard of currency in Germany, and in several other countries which, until then, had retained a silver standard. All this led to an enormous extra demand upon gold, and consequently to a very notable increase in the value of gold.

"The necessary result of this increase in value is that our present monetary standard of value has become an altogether misleading standard. As gold began steadily to go up in value, every existing obligation to pay a fixed amount of pounds, shillings, and pence, became more and more burdensome than before.

"This, then, told heavily against all debtors, and gave an undue advantage to all creditors.

"As I have elsewhere made special reference to the disastrous results of the change in the case of our

Irish farmers, I ought not to omit to state that, from another side, the landlord's interests have been affected at least as seriously as those of the tenants. No class in the community indeed has suffered more disastrously from the change than the owners of land charged with mortgages, as, unfortunately, the greater part of the land of Ireland is charged to an oppressively burdensome extent.

"But, within certain limits, this source of difficulty exists, not only in Ireland, but in England also.

"'The landlords,' says Mr. Samuel Smith, 'who borrowed 400 millions on their property, agreeing to pay, let us say, sixteen millions a year interest at 4 per cent, supposing that it represented one-fourth of their rents, now find, owing to the fall of prices, that it represents one-third, or even in some cases one-half, of their rents.

"Then, manufacturers and traders, too, have suffered, and suffered heavily. 'The factory owner,' continues Mr. Smith, 'the mine-owner, the ship-owner, who thought it safe twenty years ago to borrow half the value of his plant in order to find capital for his business, now finds that the mortgagee is the virtual owner. Nearly all the profits go to pay the mortgagee's claim, and in many cases he has foreclosed and sold out the unhappy borrower, ruined through no fault of his own, but solely through the extraordinary sinking of prices. . .

"'As a matter of fact, I believe that if all the fixed capital engaged in trade in England could be valued to-day at its real selling price, it would be found that it would do little more than pay the mortgages and debts upon it.'

"The following passage from the same writer is also well worth quoting. It brings out, very plainly, another of the ways in which Monometallism has worked mischief, by the depressing influence which the increase in the value of gold has exercised upon trade:—

"'Trade is very greatly and injuriously affected by a sudden alteration in the standard of value, especially when the alteration is, as now, toward an increased value.

"'It arises in this way. Trade is largely carried on by borrowed capital, or, in other words, by the use of credit in some shape or other; the vast banking deposits are mostly lent to traders; a very great deal of the invested capital of this country is lent upon mortgage of trading property, such as ships, factories, warehouses, &c.

"'A prudent trader usually considers it safe to trade considerably beyond his floating capital, and to borrow, say, 50 per cent on the security of his plant or fixed capital. Now the constant decline of prices, the last few years, has virtually swept away his own portion of the capital, and only left him enough to pay the loans and mortgages.

"'For instance, a ship or a factory built at a cost of £20,000, of which £10,000 was borrowed, is now worth only £12,000, or 40 per cent less; and so the mortgage represents five-sixths of the value instead of one half, the trader's interest having sunk to £2,000, in place of £10,000. Probably, if trade is unprofitable, he fails to pay the interest, and the mortgage is foreclosed; the property is forced off at just sufficient to cover the loan, and he is ruined.

"'I have no doubt that this process exactly describes the condition of vast numbers of the traders of this

country and of other countries having a gold standard.

"'A great portion of the commercial capital of the country has passed into the hands of the mortgagees and bondholders, who have neither toiled nor spun. The discouragement this state of things produces is intense. After it has gone on for several years, a kind of hopelessness oppresses the commercial community, all enterprise comes to a standstill, many works are closed, labor is thrown out of employment, and great distress is felt both among laborers and the humbler middle class. Indeed, it strikes higher than this; for multitudes of people who once were prosperous traders have now become dependent on charity. I know many such myself.'

"Then the case of the National Debts and various local and other debts of the various nations of the world furnish another instance of the evil resulting to the general community from a rise in the value of gold.

"As to the National Debt of England, Mr. S. Dana Horton in his valuable work, 'The Silver Pound,' calculates, on the basis of figures collected by eminent statisticians, that 'the National Debt, regarded as a principal sum, has increased its weight upon the shoulders of the British taxpayer between 1875 and 1885 *by nearly 200 millions sterling*, an amount *nearly* equalling the Franco German war fine.'

"And we have to remember that, as regards especially National Debts, the national creditors are represented mainly by the capitalist and money-owning classes, whilst the principal representatives of the national debtors are those who labor in the fields, the factories, or the mines.

Reporter:

"In this way, then, the Irish farmers too have suffered?

Answer:

"Yes, that is, those farmers who have rents fixed under leases, or rents judicially fixed for 15 years, or those who are under any such obligation of making fixed payments from year to year. The case of the tenant-purchasers under any of the Land Purchase Acts is one of special hardship. In their case, the obligation of the annual payments extends over, not merely 15, but 49 years.

'Here is where the difficulty comes in. In all such cases, the farmer is under the obligation of paying, year after year, an amount specified in pounds, shillings, and pence. But then this rent, or other annual payment which he has to make, though it is thus specified in amount, is really increasing, that is to say, *becoming more burdensome from year to year.*

"To bring the matter to a point, it comes to this, that, year after year, more corn, more hay, more cattle, have to be sold by the farmer to enable him to get the gold which is required to meet that annual payment.

"But, of course, if he has not more corn, more hay, or more cattle to sell, he cannot, out of what he has to sell, get enough to enable him to make that payment.

"And, plainly, the longer the term for which his 'fixed' annual payment has to be made the more disastrous must the results be to him."

Reporter:

"Then the foreign competition, of which we hear so much, is not the sole cause of the ruinous fall in agricultural prices?"

Answer:

"No. It is, no doubt, one element in the case. But, as everything goes to show, the main cause of the ruinous fall in agricultural, as in other prices, is the continuous increase in the value of gold—the 'appreciation' of gold, as that increase in value is called in the jargon of the political economists.

"Now this brings us to the point in Mr. Balfour's Manchester speech, to which I would specially direct attention.

'Money,' said Mr. Balfour, "has to serve, not merely as a medium of exchange, but also as a 'fair and permanent record of obligations extending over long periods of time.' In this, which he rightly called a 'great and fundamental requirement,' our existing currency, as he declared with emphasis, ' totally and lamentably fails.'

'To make good this statement, Mr. Balfour pointed out that the gold monetary standard of Great Britain and Ireland has, in some 15 or 16 years, gone up in value no less than 30 or 35 per cent; and he went on to say that, of its further progressive appreciation, or rise in value '*no man living can prophecy the limits.*'

Again he spoke of the increase in value of our present Monometallist gold standard of value as progressing steadily continuously indefinitely.'

'As to the result of all this upon the community generally, Mr. Balfour expressed himself as follows:—

''If you will show me a system which gives . . . absolute permanence, I will take it in preference to any other. But *of all conceivable systems of currency,* that system is *assuredly the worst,* which gives you a standard steadily, continuously, indefinitely appreciating, and which by that very fact *throws a burden upon every man of enterprise,* upon every man who desires to promote the agricultural or the industrial resources of the country, and *benefits no human being whatever but the owner of fixed debts in gold.*'

"But this was nothing new. Mr. Balfour's views were on record, years before. There is a highly important statement from him, and from five other members of the Royal Commission, the Gold and Silver Commission, of 1887

"In the special Report drawn up by the six-Bimetallist members of that Commission—including Mr. Balfour and Mr. Chaplin, two members of the late Cabinet—a distinct reference is made to the question of rents. Speaking of '*leases for long terms of years* annuities, pensions, and other similar charges,' they say that 'with every rise in the value of gold, *the weight of this burden upon the industry of the country increases.*'

"What a prospect this is for Irish tenants with 'judicial' rents fixed for 15 years, or for tenant-purchasers with their annual payments to the Government fixed for the next 49 years!

"As I am speaking of Mr. Balfour, it may be interesting to note that his Irish Land Purchase Act contains a very effiicent, if somewhat elaborate, provision for the protection of the State against loss, in the event, by no means unlikely, of the purchasing tenant breaking down in his payments before the 49 years are out.

"In the scheme embodied in Mr. Balfour's Purchase Act, the purchasing tenant has to begin by paying at an extra rate for a number of years, so as to build up a substantial guarantee fund for the State.

"No wonder, indeed, that Mr. Balfour, Bimetallist

as he is, should have clearly seen the necessity for some such provision. By most people it seems to have been looked upon as a mere superfluity of complication.

"Mr. Balfour, however, was in a position to see, what, of course, the general public were wholly unaware of, that a payment which a purchasing tenant may now be in a position to make—or which he may be in a position to make for the next few years—may be altogether beyond his reach in probably 10 or 12 years to come. Putting on the screw for the first few years, then, is good policy. If it is not good for the tenant, it is good for the State. Whatever may befall the unfortunate tenant-purchaser, the State at all events is somewhat safeguarded. It has a better chance of getting back the money it has advanced.

"As for the tenant pucrhaser he probably thinks that after the extra pressure of the first few years he may look forward to easy times for the rest of his life. He little knows what is before him. If things go on as they are it will be harder for him 10 or 12 years hence to pay £40 a year than it would be for him to pay £50 a year now. But of all this he knows nothing. How could he? His only idea is that a pound is always a pound, a sovereign always a sovereign. So, in the belief that the yearly payment, when it is reduced to, £40, will be well within his reach, he puts his head into the halter.

"But we must be fair. No one can say that Mr. Balfour used his general knowledge of the financal situation to entrap the tenants unawares. He did nothing of the kind. If they did not know what was before them, they cannot blame Mr. Balfour for it. He never concealed his views. He did not fail to

give them plain warning of the consequences of entering into prolonged obligations for the payment of fixed amounts.

"What he said quite recently at the meeting in Manchester is, perhaps, in one sense, somewhat more explicit; but it is not in any way different in sense or substance from what he had said, years before, in the most formal and public way, in the Report of the Gold and Silver Commission of 1888.

"I have thought it important to call attention to the published statements of Mr Balfour's views on this matter. His position as a prominent politician, especially in view of his recent official connection with Ireland, makes them of special interest. But they are in no way different from those expressed by many others who have written or spoken on the subject.

"Mr. Samuel Smith, for instance, in an essay on 'The Sufferings caused by the Appreciation of the Gold Standard,' calls special attention to the increasing burden thrown upon agricultural tenants by the maintenance of the present Monometallic system. He speaks more especially of the Irish tenants, in view of the fact that so many of them are in the embarrassing position of having rents judicially fixed for 15 years.

"This aspect of the case is brought out forcibly also by the Belgian economist, Emile de Laveleye:—

"'This consideration,' he says, 'especially affects Ireland . . .

"'If you can let tenants hold their land for nothing, it would be all right; but if they have to pay a fair rental either to landlords or to the Governments, or to purchase at a fair price, they must then sell produce so as to procure the amount requisite for purchase or for a fair rent.

" If the price of this produce is very low, and is falling still lower, then the tenants will be incapable of raising the required sum, and it will be necessary to evict them . . . or to cancel their debts.

"'The supply of gold being wholly insufficient, a fall in prices must ensue; hence *the ruin of Irish cultivators, in spite of Home Rule.*

"So far, then, for the chief source of the evils of our present Monometallist system, and the wide field throughout which the calamitous influence makes itself felt. It remains only to point out in what way Bimetallism provides a safeguard against these manifold evils—"

Reporter:

"But, first, as to the fundamental fact, the rise in the value of gold. What do the Monometallists say as to the existence of an extra demand upon gold, and a consequent rise in its value?"

Answer:

"That, no doubt, is a point of much importance, especially in view of the disastrous bearing of the present currency system upon Irish farmers.

"For a long time, the truth of the proposition so emphatically proclaimed by the Bimetallists—that the pressure upon the existing supply of gold was increasing, and that gold, consequently, was increasing in value—was disputed by Monometallists.

"If, indeed, the Monometallists, at the outset, were committed to anything, they were committed to this, that there was no serious difficulty about gold—that is, in other words, that there was no embarrassing extra demand upon gold in relation to the existing supply of it—and that, consequently, the present general

fall in prices should be ascribed, not to a change in the value of the metal which forms our only standard of value, but to an indefinite number of other causes, happening, somehow, all of them, to work together in the same direction. Silver, they said, was going down in value. Other commodities, generally, were going down in value But gold, they maintained, was practically steady.

"Now, however, there are not many intelligent Monometallists who would care to identify themselves with the maintenance of such statements.

"No Bimetallist, indeed, has written more conclusively in refutation of the old Monometallist view upon this fundamental point than Mr. Giffen, the well-known Chief of the Statistical Department of the Board of Trade, probably the most determined and uncompromising champion of Monometallism in England.

"In a statistical paper of exceptional interest, read by Mr. Giffen before the Royal Statistical Society in London, in 1888, he not merely accepted, but proclaimed with marked emphasis, the proposition that gold had notably gone up in purchasing power; that the increase was continuing, and was likely to continue; and that this increase in the purchasing power of gold gives the true explanation of the fall in the price of commodities generally.

"Mr. Giffen, indeed, in that paper, was not satisfied with dealing with the state of things as they were then found to exist. He claimed, and apparently not without justice, that a prediction of his in this matter had come true.

"In a former paper, read in 1879, he had, he said, pointed out the likelihood that a rise in the purchas-

ing power of gold would soon become evident, and he had said that if this were to occur, there were sufficient facts in the diminished supply of gold, and in the increased demands upon gold, to account for the increase in its purchasing power.

"Then, in his paper of 1888 he went on to say:—'If the test of prophecy be the event, there was never surely a better forecast. The fall of prices in such a general way as to amount to what is known as *a rise in the purchasing power of gold*, is generally—*I might almost say, universally*—admitted. . . .

"'Measured by any commodity, or group of commodities, usually taken as the measure for such a purpose, *gold is undoubtedly possessed of more purchasing power than was the case 15 or 20 years ago*, and this high purchasing power has been continued over a long enough period to allow for all minor oscillations.'

"In the same paper, Mr. Giffen deals very fully with the evidence of all this, furnished by the statistics of the fall in prices of the leading commodities. The comparison is worked out by a well-known method, that of 'Index-numbers.'

"An 'Index-number' is a device to enable an average to be struck of the prices of a great number of articles.

"There are several sets of such numbers, worked out by statisticians, and brought up to date each year. The *Economist* newspaper gives a set based upon the wholesale price of 22 of the principal articles in the London Market. An eminent statistician, Mr. A. Sauerbeck, has worked out a set upon a far broader basis, 45 articles being included.

"Here is a Table showing the almost continuous

fall in the wholesale prices of commodities, as represented by the 45 principal commodities comprised in Mr. Sauerbeck's computation. I give the Index-numbers of Mr. Sauerbeck's Table, from 1874 to 1892:—

Years	Mr. Sauerbeck's Index-numbers for 45 principal Commodities
1874	102
1875	96
1876	95
1877	94
1878	87
1879	83
1880	88
1881	85
1882	84
1883	82
1884	76
1885	72
1886	69
1887	68
1888	70
1889	72
1890	72
1891	72
1892	68

"In the Report of the Gold and Silver Commission of 1888, Mr. Sauerbeck's Index-numbers are given in an ingenious arrangement, the average of the numbers for a continuous period of 10 years being given from year to year. The following is a section of the Table, commencing with the period of 10 years which has for its middle point the beginning of the year 1874:—

For the period	1869–78,	average of	the ten	yearly numbers,	99
"	1870–79	"	"	"	97
"	1871–80	"	"	"	96
"	1872–81	"	"	"	95
"	1873–82	"	"	"	93
"	1874–83	"	"	"	90
"	1875–84	"	"	"	87
"	1876–85	"	"	"	85
"	1877–86	"	"	"	82
"	1878–87	"	"	"	79

"This may be a convenient place to mention that Mr. Sauerbeck has worked out also the yearly Index-numbers of the price of silver. These numbers are instructive under two aspects. First, they show the remarkable steadiness in the gold price of silver so long as the Bimetallic system of the Latin Union was in operation, as contrasted with the notable fall that has since taken place. Secondly, they bring into marked prominence the wonderful similarity between the fall in the gold price of commodities in general, and the fall in the gold price of silver.

"To bring out this second point, it is enough to tabulate the respective Index-numbers for the years from 1874 to 1892. But to bring out the first point, it is necessary to take two periods, one preceding, the other following, the year of the disastrous change.

"The following Table, then, sets forth, by means of Mr. Sauerbeck's Index-numbers, the striking contrast between the relative value of gold and silver in the years preceding, and in the years following, 1873.

Years from 1873 back to 1854.	Yearly Index-numbers of Silver	Yearly Index-numbers of Silver	Years from 1873 on to 1892.
1873	97.4	97.4	1873
1872	99.2	95.8	1874
1871	99.7	93.3	1875
1870	99.6	86.7	1876
1869	99.6	90.2	1877
1868	99.6	86.4	1878
1867	99.7	84.2	1879
1866	100.5	85.9	1880
1865	100.3	85.0	1881
1864	100.9	84.9	1882
1863	101.1	83.1	1883
1862	100.9	83.3	1884
1861	99.9	79.9	1885
1860	101.4	74.6	1886
1859	102.0	73.3	1887
1858	101.0	70.4	1888
1857	101.5	70.2	1889
1856	101.0	78.4	1890
1855	100.7	74.1	1891
1854	101.1	65.4	1892

"Taking, then, the two equal periods of 19 years, one preceding 1873, the other subsequent to that year, we find that in the former period, during which the Bimetallic system of the Latin Union was in operation, the extreme range of the gold price of silver lay between 102.0 and 99.2; whilst, throughout the period following the abandonment of that system in 1873, there has been a persistent fall, the Index-numbers ranging down through the nineties, the eighties, and the seventies, and reaching at length to the low figure of 65.4.

"The contrast between the practical stability of the gold price of sliver during the period preceding 1873, and its utter instability since then, may be exhibited in perhaps a still more striking form by indicating,

for each year, *the difference* by which the Index-number of the price of silver for the year *exceeded, or fell short of,* 100.

"This is shown in the following Table:—

19 Years preceding 1873.		19 Years following 1873.	
Years	Difference between the yearly Index-number of Silver and 100	Difference between the yearly Index-number of Silver and 100	Years
1872	— 0.8	— 4.2	1874
1871	— 0.3	— 6.7	1875
1870	— 0.4	— 13.3	1876
1869	— 0.4	— 9.8	1877
1868	— 0.4	— 13.6	1878
1867	— 0.3	— 15.8	1879
1866	+ 0.5	— 14.1	1880
1865	+ 0.3	— 15.0	1881
1864	+ 0.9	— 15.1	1882
1863	+ 1.1	— 16.9	1883
1862	+ 0.9	— 16.7	1884
1861	— 0.1	— 21.1	1885
1860	+ 1.4	— 25.4	1886
1859	+ 2.0	— 26.7	1887
1858	+ 1.0	— 29.6	1888
1857	+ 1.5	— 29.8	1889
1856	+ 1.0	— 21.6	1890
1855	+ 0.7	— 25.9	1891
1854	+ 1.1	— 34.6	1892

"Then the wonderful similarity—allowance being made for the inevitable slight divergence in detail—between the fall in the gold price of silver and the fall in the gold price of commodities in general, is shown in the following Table.

"This Table gives, in parallel columns, for the years 1874-92 (1) the Index-numbers for the 45 commodities comprised in Mr. Sauerbeck's computation, and (2) the Index-numbers of silver for the same years:—

Years	Mr. Sauerbeck's Index-numbers	
	Index-number of 45 Principal Commodities	Index-number of Silver
1874	102	95.8
1875	96	93.3
1876	95	86,7
1877	94	90.2
1878	87	86.4
1879	83	84.2
1880	88	85.9
1881	85	85.0
1882	84	84.9
1883	82	83.1
1884	76	83.3
1885	72	79.9
1886	69	74.6
1887	68	73.3
1888	70	70.4
1889	72	70.2
1890	72	78.4
1891	72	74.1
1892	68	65.4

"It is sufficient to note that, in one case, the Index-numbers show a fall from 102 to 68, and, in the other, a fall from 95 to 65. What more striking evidence could be looked for, that the fall, all round, is the result, not of causes affecting merely the prices of commodities on the one hand, nor of causes affecting merely the price of silver on the other, but of the one cause that influences both alike; that is to say, a progressive increase of value in the standard, gold, in reference to which the prices, whether of commodities or of silver, are stated?

"Returning to Mr. Giffen's paper, I should not omit to remark that he puts very plainly the inevitable

effects of the fall in prices—or, in other words, the inevitable effects of the rise in the purchasing power of gold—which is thus disclosed.

"'It is obvious,' he says, 'beyond all question, that these effects may be important. . . *The weight of all permanent burdens is increased* as compared with what would have been the case if there had been no appreciation.

"'People in paying annuities, or old debts, have to give sovereigns—which each represent a greater quantity of commodities, a greater quantity of the results of human energy, than it would have represented if there had been no appreciation. .

"'*The debtors pay more* than they would otherwise pay, and *the creditors receive more.* . . Appreciation'—that is, in other words, an increase in the value, or purchasing power, of the standard coin—'is a most serious matter to those who have debts to pay.'

"Mr. Giffen then went on to speculate as to the future. 'I am,' he said, 'bound to say that *all the evidence seems to me to point to a continuance of the appreciation.* . . It is impossible to suppose that the movement (for the adoption of a gold standard of currency) will not extend to other countries. . . All these facts point to *a continued pressure on gold.* . . . The better probability seems to be that *the increase of the purchasing power of gold will continue from the present time.*'

"Here, in fact, we have, in another form, the statement made by Mr. Balfour in his recent speech in Manchester. Mr. Balfour spoke of our present gold standard of value as having gone up in value "no less than 30 or 35 per cent in some 15 or 16 years;" and again he says of it that it still is 'steadily, continuously, and indefinitely' increasing in value, so that 'no man living' can 'prophecy the limits to which the increase may not extend.

"It is true that, about a year after the publication of the important paper from which I have been quoting, Mr. Giffin—taken aback, the Bimetallists say, by discovering the extent to which his statistical paper had strengthened their hands in the currency controversy—wrote a paper in the *Nineteenth Century* in a diametrically opposite sense. But no one seems to have taken that paper seriously. Mr. Giffen, so far from giving any reasons for his astounding change of front, did not even write as if he was aware that he was making any change of front at all. He simply struck out in a diametrically opposite direction, ignoring all that he had said in his statistical paper, all the facts and figures that he had marshalled in that paper with such logical force.

"Mr. Giffen's paper in the *Nineteenth Century*, was not a statistical paper in any sense. It was simply a disquisition on the currency question on grounds of abstract political economy. Now Mr. Giffen is a statistician, and not a political economist. In his paper, then, in the *Nineteenth Century*, he propounds, as might have been expected, some sensationally novel views. He does not even seem to have been aware of their novelty.

"Professor Nicholson showed up all this, in triumphant fashion, in the next number of the *Nineteenth Century*, and, so far as I know, Mr. Giffen has never even attempted to reply. His expedition into the realms of political economy has ended, in fact, in a lamentable collapse.

"But, whatever fate may befall Mr. Giffen's philo-

sophical ventures, his statistical paper of 1888, on the appreciation or increase in purchasing power, of gold, and the disastrous effect of this increase upon all who have debts to pay, holds its ground. I understand that he has omitted that paper from a volume of his essays collected for republication. It would be much more to the point if he were to endeavor to neutralize the effect of it—in the supposition that he is in a position to do so—by pointing out any error he had discovered in it, either in his statement of the statistics of the case, or in his inferences from them.

"So long as that paper stands unrefuted by Mr. Giffen himself, he must submit to be claimed as a prominent witness to the facts upon which Bimetallism is based.

"Mr. Giffen, in his statistical paper of 1888, refers exultantly, as I have mentioned, to a previous paper written by him nine years before. An interesting point connected with that earlier paper of his is the important reference made to it by Mr. Goschen in a convincing address, delivered before the Institute of Bankers in 1883.

"Mr. Goschen, I should observe, is not in any sense of the word a Bimetallist; that is, he has not as yet in any way declared himself in favor of Bimetallism. He seems indeed to have some hesitation in taking sides, one way or the other. But nothing could be more explicit than his statements as to the increase in the purchasing power of gold, and nothing could be more lucid than his account of the causes that have led to that increase.

"In his address delivered in 1883 he went into this matter in full detail. He showed how, in the years from 1873 to 1883, whilst the annual supply of gold

had fallen off to a most notable extent, the demands upon the existing stock of gold in the world, especially from the substitution of a gold currency for a silver currency in Germany and other countries had enormously increased.

"The facts dealt with by Mr. Goschen in that address are very clearly summed up by Mr. Samuel Smith in the interesting volume from which I have so often quoted.

"'The gold production, he says, 'which for some years exceeded 30 millions annually, has fallen to 19 millions a year; and the best continental authorities, such as Soetbeer and Laveleye, reckon that more than half that amount is consumed in the arts. It may, therefore, be reckoned that, since 1873, only some 10 millions of gold, on the average, has been available for currency purposes.

"'But Germany during that period has introduced a gold curreny of 80 millions; the United States . . . has used up 100 millions; and Italy has drawn some 20 millions for a similar purpose. So that 200 millions have been withdrawn for these special purposes, whereas the whole supply of new gold for coinage has not exceeded, in that time, 130 millions. The balance must have been drawn out of existing stocks. Besides, a steady drain of some 4 millions a year has gone to India, further depleting the stock in Europe. . . .

"'While trade and population constantly grow and demand more metallic currency, there is a steadily diminishing quantity to meet it.

"'If we put the present production of gold at 19 millions a year, and the requirements of the arts at 8 to 10 millions a year, while the ordinary Indian demand is 4 millions, there is only left 5 to 7 millions

a year for new coinage, for Europe, America and the British Colonies.

"'It will seem to subsequent ages the height of folly that, just at this period, when gold was running short, the chief States of the world decided to close their Mints against silver, and cut off, so to speak, one-half the money supply of the world from performing its proper functions. . . .

"'Had the world continued to use both metals as freely as before, the painful crisis we have passed through would have been much mitigated. But by a suicidal policy, silver was cut off at the very time when it was most needed, and a double burden thrown upon gold just when it was only able to bear half its former burden.

"'As Bismarck has well said, two men were struggling to lie under a blanket only big enough for one.'

"It would be a grave omission here not to quote Mr. Goschen's further remarks as to the inevitable further increase in the value of gold—the result of not merely a continuance, but a growth, of the present exhausting demand upon it.

"Mr. Goschen's treatment of this aspect of the case is all the more valuable from its forestalling a difficulty which is not at all unlikely to occur to those who enter upon the examination of the currency question without being very fully informed upon the nature of financial operations as they are carried out on an extensive scale in the great money markets of the world.

"'If it be true,' says Mr. Goschen, 'that population continually increases, and that there is a certain increase in wealth, an additional amount of circulation will be necessary in order to meet the increased demand, unless there are compensating counter economies by the extension of the cheque system and other methods.

"'Now, on the one hand, you undoubtedly have increased population. Going back thirty years, you may say you have an addition to the population of 50 per cent, including not only the gold-using countries of the old world, but new countries, such as Australia, where the population increases fast.

"'You also have an increase of wealth. Then, again, you require more gold for more transactions. . . .

"'Let us now consider, on the other hand, whether the economies in the use of gold have been so great as the increase in the population, and as the increase in the amount of gold required to liquidate the balance of transactions.

"'Mr. Giffen, in an article . . . printed in the Journal of the Statistical Society for March, 1879, expresses the opinion that the United Kingdom was thoroughly 'well banked' even 20 years ago, and that there have been no new devices invented during the last 20 years which have much economized the use of gold in the United Kingdom. We have already, I believe, reduced the use of gold in this country almost to a minimum; and I am confirmed in this view by the statement that the total circulation of gold in England increased, according to the estimate of the authorities of the Bank of England, from £103,000,000 to £124,000,000 between 1870 to 1880.

"'This would mean—and it is a most significant fact—that in this country which is so 'well banked,' to use Mr. Giffen's phrase, £20,000,000 more circulation was nevertheless required in 1880 than in 1870.

"'What a pull must those £20,000,000 have been on the total supply of gold, after, or concurrently with,

those other demands to which I have called your attention.

"'As regards England, then, I do not see that there has been any economy in the use of gold to counterbalance the increasing demand of the population, nor are we aware that in France or Germany, or elsewhere, the economies have been such as to counterbalance the increasing demand for gold."

Reporter:

"And as to the effect of all this upon prices?"

Answer:

"That was the main topic of Mr. Goschen's address.

"In that address, he makes good by every possible line of argument that gold has risen, that it is rising, and that, in all probability, it will continue to rise, in value. He explains, moreover, that this increase in the value of gold is the true explanation of the 'fall in prices,' which had become unmistakably evident even at the time of the delivery of his address, in 1883.

"After working out all this in detail, Mr. Goschen adds the curiously significant remark that 'some writers have appeared to show something approaching to irritation at the view that the situation of gold should have largely influenced prices.' 'I scarcely,' he says, 'know why, unless through *the apprehension that the Bimetallists may utilize the argument.*'

"This, written six years beforehand, forms an instructive commentary on Mr. Giffen's odd change of front.

"And then Mr. Goschen adds:—'I must repeat that, to my mind, the connection between the additional demand for gold and the position of prices, seems as

sound in principle as I believe it to be *sustained by facts.*'

"Well, no doubt, it is a very natural apprehension, that Bimetallists should utilize an argument, the basis of which is so emphatically certified as not merely 'sustained by facts,' but also as 'sound in principle,' by one of the most eminent practical financiers in England.

"I have already mentioned the proposal that has been made in view of the terribly serious difficulties resulting from the difference of standards between England and India. It has been suggested, as a means of getting over all these difficulties, that the Indian currency should be re-constituted on the basis of a gold standard.

"But this, from the further demand it would make upon the existing stock of gold in the world, would necessarily lead to a further increase in the value of gold, and would thereby most seriously aggravate the evils of the present situation throughout the commercial world.

"As Mr. Goschen forcibly expressed it at the Paris Conference of 1878—'If other States were to carry on a propaganda in favor of a gold standard and of the demonetisation of silver, the Indian Government would be obliged to reconsider its position, and might be forced by events to take measures similar to those taken elsewhere. *In that case the scramble to get rid of silver might provoke one of the gravest crises ever undergone by commerce.*'

"So far, then, for the tendency of gold, in the present monetary arrangements of the commercial world, to increase in value.

"Now, as to the remedy which Bimetallists pro-

pose. This, as we have seen, is, to put silver into the standard currency concurrently with gold—by opening the mints for the unlimited coinage of the two metals at a fixed ratio of value, and making both the gold and silver coinage 'legal tender' to any amount.

"Their main point is that the introduction of silver in this way into the standard coinage would check the tendency of money to 'appreciate,' or increase in value. It manifestly would tend to check that tendency by broadening the base on which the monetary system stands.

"Statisticians tells us that the quantity of coined gold in the world amounts to about £800,000,000 sterling, and the quantity of coined silver to about £700,-000,000. The precise figures, in such a case as this, are not of very great consequence. For we may take it, at all events, that the amounts are something about those mentioned. Plainly, the causes that tend to affect the value of either of the two precious metals would have a far less disturbing effect upon a standard of value composed of the two metals, conjointly, to the value of 1,500 millions sterling, than it would have upon a currency of only half the amount.

"Then, furthermore, it is to be remembered that this enlarged currency would consist, not of one metal, but of two.

"It is, no doubt, possible that the tendencies of the two metals to fluctuate in value may coincide in direction and in degree. But it is in the highest degree improbable that this will always, or even frequently, occur. Whilst the value of one metal, under the operation of the law of supply and demand, tends to go up, the tendency of the other is quite as likely to be downward. Or, if both tend to move in the same direction, all the probabilities are that their respective tendencies will differ in degree, and the difference is by no means unlikely to be a very notable one. So each will serve, at all events in some degree, to counteract the other.

"Professor Jevons—though he was not a Bimetallist—gives an admirable example of the effect produced by the intrroduction of a second metal into the standard currency, in checking the tendency to fluctuations in value.

"He gives the example of two reservoirs of water, each subject to independent variations of supply and demand. In the absence of any connecting pipe, the level of the water in each reservoir will be subject to its own fluctuations only. But if we open a connection, the water in both will assume a certain mean level, and the effects of an excessive supply or demand will be distributed over the whole area of both reservoirs.

"'The mass of the metals,' he says, 'gold and silver, circulating in Western Europe in late years, is exactly represented by the water in these reservoirs, and the connecting pipe is the law of the 7th Germinal, an XI. (the law establishing Bimetallism in France in 1803), which enables one metal to take the place of the other as an unlimited legal tender.'

"Mr. Samuel Smith gives another illustration. He takes the case of a kite. If the currency consists of gold only, then we have a kite without a tail, blown hither and thither by every wind. If we have a combination of gold and silver, linked together in a monetary system at a fixed ratio of value, then we have a kite with a heavy tail attached to it and steadying it."

Reporter:

"But is it really possible at this time of day, by any State regulation, to fix the price of silver or of anything else? Will not the price of any precious metal, in spite of artificial restriction, find its level in the market under the law of supply and demand?"

Answer:

"That is the stock fallacy of the Monometallists, I mean the Monometallists of the older, but now rapidly dwindling, school.

"Of course, supply and demand will regulate all prices—the price of silver or gold, as well as of everything else. But this precisely is the reason why Bimetallism is an effective means of keeping gold and silver at a fixed ratio of value in the bullion markets of the world.

"Legislation cannot directly give value to a thing, *but it can set up a demand which is one of the factors of value.*

"The opening of a sufficient number of mints for what practically amounts to the purchase of silver at a certain price relative to gold, establishes a constant demand for silver at that price. So long as Bimetallism was upheld in the French and other mints, the ratio was kept steady.

"It was kept steady, too, not in contravention of the law of supply and demand, but precisely because of the operation of that law. The State arrangement for the unrestricted coinage of both metals in those mints at the fixed ratio of 15½ of silver to 1 of gold, was, in fact, the mainspring of the working of the law of supply and demand in the case.

The arrangement that was in operation in the various mints *constituted a permanent demand for each of the two precious metals at that fixed ratio between the mint values of the two.* Those who had silver anywhere to dispose of would not part with 18 or 20 ounces of it for an ounce of gold, when by sending their silver to a public mint they could get as good a price for 15½ ounces.

"Then, moreover, Bimetallists call attention to a series of undoubtedly striking facts in connection with all this.

"During a long period of years preceding 1873, almost every kind of disturbance that could by any possibility have interfered with the relative value of gold and silver occurred in the monetary world. Still, throughout it all, the relative value of the two stood practically unchanged.

"'The ratio of 15½ to 1,' says Mr. Samuel Smith existed during a long period, when silver was annually produced to three or four times the value of gold, and during another long period when gold was annually produced to three or four times the value of silver.

"'It was equally unaffected by the great increase in the cost of producing silver during the Civil Wars in South America, which closed the richest silver mines, and by the extraordinary decrease in the cost of producing gold, when the rich mines of Australia and California were first discovered.

"'It was equally unaffected by the entire cessation of the great Eastern demand for silver which happened once or twice in the earlier part of the century, or by the extraordinary demand which set in during the time of the Cotton Famine.

"'Neither was it affected by the vast displacements of specie that occurred in many countries—such as the United States of America, Italy, Austria &c.—caused

by war, or national bankruptcy, when inconvertible paper expelled metallic money.

"'It may be asserted, in brief, that every possible convulsion occurred in the monetary world during the first three-quarters of this century, and yet the tie between gold and silver was not broken.

"'So long as the French Mint was open to coin either of them to an unlimited extent, and as full legal tender, it mattered not whether the yield of gold was two millions a year, or thirty millions; whether the yield of silver was six, or sixteen millions; whether the miners in Australia were extracting gold at a cost of £1 per ounce, or the miners in Nevada were producing silver at 1*s*. 6*d*. per ounce.'

"Between 1848 and 1870, *the stock of gold money* in the world, according to trustworthy estimates, *increased by nearly 90 per cent*, whilst *the quantity of silver money* in the world *increased by only 10 per cent*. But still, under the natural operation of the Bimetallic system of France and other countries, *the relative value* of gold and silver *stood practically unchanged*."

Reporter:

"That, as we now know, is no longer the case?"

Answer:

"Unfortunately for many interests, it is not. The Royal Commission of 1887 gives a table which shows that the annual average price of silver on the London market, from 1833 to 1872, never was lower than 4*s*. 10¾*d*. per ounce, and never was higher than 5*s*. 2 ¾*d*.—showing a variation only of 4*d*. The same table shows how different the case has been since 1873. Between 1873 and 1887 the price ranged from 4*s*. 11 ¾*d*. down to 3*s*. 6*d*.—showing a variation of 1*s*. 5 ¾*d*., as against an extreme variation of only 4*d*. in the former period."

Reporter:

"But what about the Monometallist members of the Commission? Do they admit that the relative values of gold and silver can be fixed by State regulations?"

Answer:

"Certainly. In the earlier stages of the controversy about Bimetallism, the question whether the relative value of gold and silver could be so fixed was looked upon as one of the great test questions between Monometallists and Bimetallists.

Monometallists tried to make out that the relative value of gold and silver was kept steady down to 1873 —not by the State arrangement then in force in France and the other countries of the Latin Union—but by a whole complicated series of independent causes, all happening to work in the right direction to bring about this happy result.

"But, as Mr. Samuel Smith has pointedly expressed it, these attempted explanations of the Monometallists 'remind one of nothing so much as the hopeless attempts of the ancient astronomers to explain the movements of the heavenly bodies on the theory that the earth was the center of the universe.'

"That day, however, is past. Leading Monometallists have long since found themselves forced to acknowledge that on this vital point the Bimetallists were right.

"Here, for instance, is an important passage from the Report of the Royal Commission.

"I take it from that portion of the Report which is signed, unanimously by the 12 members of the Commission, Monometallists and Bimetallists alike.

"After setting forth a number of figures illustrative of the notable unsteadiness of the price of silver in

recent years—the unsteadiness, that is to say, of the gold price of silver, or, in other words, the relative value of the two metals—the Report continues as follows:—

"'The explanation commonly offered of those constant variations in the silver market is, that the rise or depression of the price of silver depends upon the briskness or slackness of the demand, for the purpose of remittance to silver-using countries, and that the price is largely affected by the amount of the bills sold from time to time by the Secretary of State for India . . .

"'But these causes were, as far as can be seen, operating prior to 1873, as well as subsequent to that date, and yet the silver market did not display the sensitiveness to those influences, day by day, and month to month, which it now does.

"'These considerations seem to suggest the existence of some steadying influence in former periods, which has now been removed, and which has left the silver market subject to the free influence of causes, the full effect of which was previously kept in check.'

* * * * * *

"It seems impossible, for instance, to evade the force of the following facts.

"First, from 1803 to 1873, whilst the Bimetallist arrangements of France were in force, the market prices of gold and silver, each year, kept so close to the French currency value of 15½ to 1, that they never oscillated so far even as 16 to 1 on the one side, or 15 to 1 on the other.

"But then, in the year 1874, the year after the change in the French system, the market ratio at once

rose to over 16 to 1. In 1876, 1877, and 1878, it was over 17 to 1. From 1879 to 1884, it was over 18 to 1. In 1885 it was over 19 to 1.

"Then, with certain fluctuations, it still kept on rising. On the 24th of September of the present year, 1892, the latest date for which I have seen a return, it was about 24 to 1."

Reporter:

"The former steadiness, then, was the result of the arrangement in operation at the French and other Mints?"

Answer:

"Yes; that is to say, it was the result of the demand set up for each of the two metals at the relative value of 15½ to 1. But there is a point of great importance to be mentioned here. It may be useful to mention it, to guard against a possible misconception.

"What was fixed by the action of France and the other countries of the Latin Union was *the ratio of the values of gold and silver*, compared one with another.

"Fixing the relative value of the two metals, that is, the ratio between the values of the two parts out of which the whole monetary stock of the world is made up, is quite a different thing from fixing the value of money, that is to say, the purchasing power of money as regards commodities.

"It is quite consistent with the maintenance of a fixed proportion of value between the two metals which go to make up the metallic currency, that the value of the currency itself, taken as a whole, should be liable to fluctuations. I have already mentioned that the maintenance of an absolutely invariable standard of value—whether consisting of one metal, or of two

metals linked together in a fixed ratio of value to one another—is a matter of practical impossibility. The value of money, that is to say, the value of the whole stock of coined metal must, like the value of everything that is marketable, be regulated by the law of supply and demand.

"But whilst the purchasing power of the whole stock of the money of the world may so vary, the relative value of the two portions of it, that portion of it which is in gold, and that portion of it which is in silver, may be kept in the same proportion towards each other, so that, although the number, whether of sovereigns or of rupees, required for purchasing a given quantity of other marketable goods, may sometimes be greater and sometimes less, the same number of sovereigns shall always practically be worth the same number of rupees. That is the first advantage secured by a Bimetallist system.

"Then there is another point. Although an absolutely invariable standard of value is practically unattainable by legislation, it is plain that a much higher degree of steadiness of value in the monetary standard may be attained by making that standard consist of the two metals, gold and silver, conjointly, than if it consisted of either of those metals alone. Obviously the combination of the two metals makes up a currency far less liable to be affected by whatever fluctuations may occur, than any currency composed of one or the other metal alone.

"In that way, the Bimetallic system of France and of the other countries of the Latin Union, secured for those countries—and indirectly for the rest of the commercial world—not merely a fixed ratio of value as between gold and silver, but also, in large measure,

a monetary standard as free from fluctuations in value as is practically possible of attainment.

"Let us look back to Professor Jevons' illustration, the two reservoirs with the connecting pipe between them. When there is a difference between the total inflow and the total outflow—taking both reservoirs into account—no possible freedom of connection between the reservoirs can hinder the common level from being affected by that difference. But the effect of the connection between the two is to keep the fluctuations of the common level in both reservoirs as free from fluctuations as is consistent with the continuance of an inflow and of an outflow, both constantly varying."

Reporter:

"In that way, then, Bimetallism checks the tendency to variation in the value of the monetary standard?"

Answer:

"Yes; it checks that tendency; but we must remember that it only checks it. The check which it applies is, indeed, a very notable, a very substantial one But the tendency to variation in value cannot be altogether eliminated.

"As Mr. Samuel Smith explains this point, 'What *the law cannot fix is the purchasing power of the precious metals in relation to other commodities.*

"'Suppose, for argument sake, that the joint production of gold and silver, which is now about 33 millions annually, were to become 100 millions, we should find a rapid rise in money prices; in other words, a diminution in the pucrhasing power of money.

"'But *what the law can do is to prevent fluctuations in value as between gold and silver*, by making them both legal tender at a definite rate. . .

"'As stability of value is one of the most necessary qualities of money, . . . it is better to confine fluctuations to the mass of gold and silver combined, than let each metal fluctuate separately.

"'Gold alone has varied within this century from an annual production of £3,000,000 to £30,000,000, or ten-fold. But gold and silver combined have only varied from about £10,000,000 to £40,000,000, or fourfold—hence the joint metal forms a more stable mass than gold alone.'

"Here is where Mr. Smith brings in the comparison I have already mentioned:—'It is like a kite with a heavy tail to it, which prevents the kite from swaying to and fro; whereas gold alone is a kite without a tail which obeys every gust more readily.'

"Stability of value in the monetary standard of value is, of course, of very great importance. But the importance of it is sometimes overlooked. In view of this aspect of the case, some newspaper disquisitions on the currency question are amusing. Here, for instance, is a characteristic specimen:—

"'If two sovereigns at the present value of gold have the same purchasing power which three sovereigns used to have, the obvious result is that two sovereigns will serve just as well as three.

"'Thus by natural causes there comes an economy of gold to the precise extent to which there exists a need for it.

"'The balance is self-adjusting.'

"That, of course, would be perfectly true if money were merely a medium of exchange, to be employed in buying and selling, the transactions moreover being for immediate cash. But money, as we have already seen, has another and most important function.

It forms—to use Mr. Balfour's expressive words—the 'record of obligations extending over long periods of time.'

"It is in view of this important function of money—a function which the writer of the curious disquisition I have just quoted, would seem never to have heard of,—that stability of value, in so far as it is attainable, is one of the first requirements of a monetary standard."

Reporter:

"Then what do the Monometallists say to all this?"

Answer:

"Their position in reference to the practical aspects of the case is indeed not easy to define. I have already pointed out how they have been driven back from one line of defense to another. So far as I have been able to make out, there are not many of them now who do not admit, to the full, the existence of the evils I have spoken of, and who do not admit, moreover, that those evils are mainly, if not exclusively, the result of an increase in the value of gold. But then, as regards the remedy for it all, their position seems to be that of men who will merely sit by, with folded arms, and do nothing.

"Mr. Giffen, indeed, at the end of the statistical paper from which I have quoted his explicit and emphatic statement as to the notable and still increasing rise in the value of gold, suggested a remedy for at all events one set of the evils that result from the present state of affairs—those that are involved in the unfitness of our gold standard as a measure of obligation in the case of payments extending over long periods, such as a term of years. The suggestion was that, instead of working on the basis of any metallic

standard—whether consisting of one metal or of two—recourse should be had to the device known as a 'tabular' standard of value.

"Mr. Giffen, indeed, seems to have given up as hopeless the possibility of constructing any satisfactory or equitable system on the basis of specifying, in money, the amounts of payments to be made.

"Here is how he stated his view:—

"'Is there anything to be done by Governments (to provide against the effects of the appreciation of gold), is a question which will naturally arise . . .

"'The only suggestion I would make is of a statistical kind.

"'All these difficulties seem to me to suggest the expediency of further scientific study . . of the theory and practice of index numbers which supply a means of providing for deferred payments *by substituting a different currency for money*, as is done by the corn averages for tithe and by corn rents generally.

Reporter:

"'If we cannot invent a money that will be stable over generations, may it not be possible to devise a substitute by which the deferred payments will themselves change with the changing value measured by some other standard? . . .

Answer:

"'This last suggestion can hardly be expected to be a very popular one at present, while, as yet, index numbers are hardly known to the public. It is *remote enough from any practical issues.* But . . knowledge is always useful, and a clear insight into what is going on, and what is fairly to be anticipated, may both prevent panic and enable business people to make sensible arrangements in their provisions for the future which otherwise they would not think of.

"'In documents charging estates, for instance, law-

yers might have been able to save their clients much embarrassment, in charging *a percentage of net rental* only, or a sum to be varied by another measure, as the tithe is varied, instead of a fixed and unchangeable sum in money. . . .

"'Business men must consider carefully the effect of engagements to pay money at distant dates.

"'Many mischiefs might have been avoided if all concerned had realized, 10 or 15 years ago, what was likely to happen in money, and good will now be done if possibilities are kept steadily in view.'"

"The idea of such a 'tabular standard' of value is not a new one. It is discussed by many writers on the currency question.

"If it were to be worked out in practice, the first requisite would be the appointment of a permanent Government Commission, invested with a kind of judicial power. The officers of the Commission would collect the current prices of commodities in all the principal markets of the Kingdom, and by a system of calculation would compute from the data so collected the variations in the purchasing power of gold.

"The decisions of the Commission would then be published at stated intervals, say, monthly; and all payments would be adjusted in accordance with them.

"Thus, suppose that a debt of £100 was incurred upon the 1st of July, 1875, and was to be paid back of the 1st of July, 1878; if the Commission had decided in June, 1878, that the value of gold had fallen in the ratio of 106 to 100 in the intervening years, then the creditor would claim an increase of 6 per cent in the nominal amount of the debt."

"But, plainly, the introduction of such a system would lead to so much complexity in the relations of

debtor and creditor that the proposal may well be regarded—to use Mr. Giffen's expression—as 'remote enough from any practical issues.'

"Another suggestion that has been put forward from the Monometallist side is, that the disturbing effects of the increase in the value of gold might be avoided by diminishing the quantity of gold in the sovereign, the quantity of gold being diminished in proportion to the increase in its value.

"Thus, for instance, new sovereigns might now be issued containing about two-thirds of the weight of gold contined in the sovereign as hitherto issued; next year, in case the increase in the value of gold continued, there might be a new issue of sovereigns with a proportionately smaller amount of gold; and so on.

"This, no doubt, if it could be worked out in practice, would meet some of the difficulties of the present situation. It would at once, for example, give equitable relief to the Irish tenants and tenant-purchasers who are now weighed down by the obligation of making annual payments which, though nominally fixed in amount, really constitute a constantly and indefinitely increasing burden.

"But the plan is wholly impracticable. One obvious and decisive objection in the way of its adoption is the inextricable confusion that should of necessity result from the difference of value between the sovereigns of the various successive issues, all, as we must assume, being in circulation together.

"The chief importance, indeed, of the suggestion of such an expedient lies in the distinct recognition which it implies of the existence and of the seriousness of the evils resulting from the Monometallic system of currency with its standard of ever-increasing value.

Reporter:

"But, then, the practical question remains, Is nothing to be done?

Answer:

"The existence of the evils resulting from the present system can no longer be denied.

"Of the Monometallists it may be said that, whilst fully and frankly admitting the existence of those evils, they have no practical remedy to suggest. They are satisfied to hold on by the dog-in-the-manger policy of hindering even a trial being given to the remedy proposed by the Bimetallists.

"The Bimetallists, on the other hand, have a remedy to propose, and what they propose is nothing new, nothing that has not been tested by long experience. The currency arrangements which they recommend were, as we have seen, in full operation in Europe down to the year 1873.

"In connection with Mr. Giffen's remark that 'many mischiefs might have been avoided if all concerned had realized, 10 to 15 years ago, what was likely to happen in money,' it cannot be out of place to take note of an instructive difference between Monometallists and Bimetallists in reference to this matter of foresight as to the increase in the value of gold, and the evils inevitably resulting from it.

"Whilst the fullest and most distinct warning of all this was given from the Bimetallist side, it was only with extreme difficulty, and not indeed until the Bimetallist predictions had been unmistakably verified by events, that, with very few exceptions, Monometallists could be brought to realize that any mischief was being done.

"The classic prediction in this matter is that of the French economist, M. Ernest Seyd. So far back as 1871, two years before the calamitous success of the doctrinaire crusade against the maintenance of the Bimetallist system as it was then in operation in France, M. Seyd used the following remarkable words:—

"'It is a great mistake to suppose that the adoption of the gold (standard of value), by other States besides England, will be beneficial. It will only lead to *the destruction of the monetary equilibrium hitherto existing*, and cause *a fall in the value of silver* from which England's trade and the Indian silver valuations will suffer more than all other interests, grievous as the general decline of prosperity all over the world will be.'

"Then comes a singularly noteworthy passage:—

"'The strong doctrinarianism existing in England as regards the gold valuation is so blind, that, when the time of depression sets in, there will be this special feature:—

"'The economical authorities of the country will refuse to listen to the cause here foreshadowed: every possible attempt will be made to prove that the decline of commerce is due to all sorts of causes and irreconcileable matters; the workman and his strikes will be the first convenient target; then 'speculating' and 'overtrading' will have their turn; . . . many other allegations will be made, totally irrelevant to the real issue, but satisfactory to the moralizing tendency of financial writers.'

"Unfortunately for so many interests, the warning so clearly given by M. Ernest Seyd was disregarded, just as similar warnings as to the disasters that must

follow from an obstinate persistence in the mistaken policy adopted in 1873 are being disregarded now."

Reporter:

"But an International Congress is now being assembled for the discussion of the question in all its bearings?"

Answer:

"Yes, at Brussels. It is attended by representatives of no fewer than twenty Governments or States. But there are not many in Ireland, I dare say, even of those most directly interested, who have the faintest idea that the question under deliberation, important as it may be in other respects, is one that lies at the very root of the difficulties of our Irish Land Question.

"Yet what can be plainer than that this is so? If the Bimetallist view, as I have stated it, is true, then progress on the lines of the present currency system means absolute ruin, sooner or later, to the whole body of the agricultural farmers of Ireland.

"Moreover, whether that view can be demonstrated to be sound or not, there is the significant fact that those twenty Governments have felt themselves called upon to send representatives to an International Congress for the consideration of it. That is quite enough for my present purpose.

"A danger which, even to the extent thus shown, has to be regarded as a possibly serious one, is surely not a thing to be left out of calculation. Hitherto, unfortunately, it has been almost absolutely left out of calculation in Ireland.

"Possibly the publication of this Interview may do something toward rousing from their present fatal lethargy, both the tenants themselves, and those who

may have the responsibility of advising them when they are arranging terms of settlement, whether as tenants undertaking the obligation of a judicial rent, or as purchasers undertaking the obligation of repaying to the Government the purchase-moneys of their farms, principal and interest, by fixed yearly payments, for 49 years to come.

"At all events, in the last resort, there remains the question from which I set out.

"No responsible statesman who is not altogether ignorant of the facts of the case, as those facts are now admitted even by leading Monometallists themselves, will take upon himself the responsibility of saying that there is no need of providing a remedy for the unfortunate tenants who find themselves all but hopelessly encumbered by obligations of payments extending over prolonged terms of years—obligations now admittedly representing a burden altogether in excess of what was contemplated when their terms were fixed, or sanctioned, by the authority of the State itself.

"This, then, is the practical question:—

"Is nothing to be done to avert the disaster now plainly inevitable, if those whom recent legislation has subjected to the worst evils of our present currency system are left without a remedy?"

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